

## Message Text

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12  
ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 /083 W  
----- 018012

R 270145Z SEPT 75  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC 3060  
INFO AMEMBASSY TOKYO  
AMEMBASSY TAIPEI  
USLO PEKING  
CINCPAC

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CINCPAC FOR POLAD

EO 11652: GDS  
TAGS: PFOR, EAID, KS, JA  
SUBJECT: SEPTEMBER 15 ROK-JAPAN MINISTERIAL TALKS

REFS:

A. SEOUL 7228 DTG 161018Z SEP 75

B. SEOUL 7229 DTG 161020Z SEP 75

C. TOKYO 13092 DTG 17095Z SEP 75

D. SEOUL 7256 DTG 170809Z SEP 75

SUMMARY: INTERVENTION BY PRESIDENT PARK REVERSED THE  
ANTICIPATED ROK TACTICAL APPROACH TO BOTH THE WORKING OF THE  
COMMUNIQUE AND THRUST OF DISCUSSION AT THE SEPTEMBER 15  
ROK-JAPAN MINISTERIAL TALKS. AS A RESULT, THE TALKS WERE  
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CONDUCTED IN TERMS OF JAPANESE DOMESTIC POLITICAL AND  
ECONOMIC CONSIDERATIONS. IN RETURN, THE KOREAN SIDE  
RECEIVED PROMISE OF CONTINUED SUBSTANTIAL PUBLIC AID IN  
THE FOURTH DEVELOPMENT PLAN, COMMITMENT TO POHANG STEEL

MILL EXPANSION AND CONTINUED HOPE FOR FINANCING OF THE YOSU PETROCHEMICAL PROJECT. SELECTION OF PROJECTS FOR FINAL YEAR JAPANESE PARTICIPATION IN THE THIRD PLAN WAS LEFT OPEN FOR DECISION IN OCTOBER. EMBASSY BELIEVES THAT IN TAKING A SOFT APPROACH TO FUKUDA AND MIYAZAWA, THE ROKG HAS MAXIMIZED THE POTENTIAL POLITICAL AND ECONOMIC RESULTS OF THE TALKS. END SUMMARY

1. NEWLY ARRIVED ECON/COMMERCIAL COUNSELOR TOOK OPPORTUNITY OF INITIAL COURTESY CALL ON HISAHICO OKAZAKI, JAPANESE EMBASSY ECON COUNS, TO DISCUSS SPECIFIC ECONOMIC RESULTS WHICH MAY BE ANTICIPATED TO FLOW FROM POLITICALLY SUCCESSFUL SEPTEMBER 15 MEETING. ACCORDING TO OKAZAKI, INTERVENTION BY PRESIDENT PARK (REF C) WAS IN THE FORM OF ACKNOWLEDGMENT THAT THE PRINCIPAL MINISTERIAL VISITORS WERE "KOREA'S BEST FRIENDS IN JAPAN" AND INSTRUCTION THAT HIS MINISTERS AVOID DOING ANYTHING WHICH MIGHT CAUSE THEM EMBARRASSMENT UPON THEIR RETURN TO JAPAN.

2. AS A DIRECT RESULT OF PARK'S INSTRUCTIONS, THE CONTENTS OF PARAGRAPHS 7 AND 8 OF THE COMMUNIQUE, WHICH COVER THE AREA OF GREATEST COMPROMISE AND ECONOMIC SIGNIFICANCE FOR BOTH COUNTRIES, WERE QUICKLY AND EASILY AGREED. IN PARAGRAPH 7 COVERING TRADE (REF B), THE KOREANS HAD BEEN INSISTING ON INCLUSION OF A JAPANESE COMMITMENT TO FREEING TRADE AS THE MEANS TO ACHIEVE A BETTER BILATERAL BALANCE. AT THE SAME TIME, THE JAPANESE HAD BEEN DEMANDING KOREAN AGREEMENT TO OVERALL "ORDERLY" TRADE EXPANSION AS THE MEANS TO BETTER BALANCE. COMPROMISE WAS AGREED ON THE WORD "SOUND" DEVELOPMENT RATHER THAN EITHER "FREE" OR "ORDERLY" DEVELOPMENT. EACH SIDE OF COURSE WILL CONTINUE TO INTERPRET THE WORD "SOUND" IN ITS OWN WAY. OKAZAKI INCIDENTALLY NOTED THE SIMILARITY OF THE TRADE ARGUMENTS TO THOSE OF THE U.S. AND JAPAN IN THE SIXTIES. (IRONICALLY, JAPAN HAS SHIFTED TO THE SIDE OF "ORDERLY" DEVELOPMENT.)

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3. IN PARAGRAPH 8, THE KOREAN SIDE'S WILLINGNESS TO FOREGO THE INSERTION OF SPECIFIC MENTION OF REQUIREMENTS FOR A \$500 MILLION ANNUAL CAPITAL INJECTION (OUT OF \$2 BILLION) FROM JAPAN DURING THE FOURTH DEVELOPMENT PLAN (1977-81) WAS REWARDED BY JAPANESE AGREEMENT TO "CONTINUE" ITS "GREAT (UNSPECIFIED) CONTRIBUTION" OF "PUBLIC" AND PRIVATE AID. ACCORDING TO OKAZAKI, ROK OFFICIALS HAD WELL UNDERSTOOD THAT TERMINATION OF PUBLIC AID WITH THE CONCLUSION OF THE THIRD PLAN HAD BEEN A VIRTUAL CONDITION TO JAPAN'S PARTICIPATION IN THAT PLAN. HE SAID THAT THE GOJ HAD MADE THIS IMPORTANT REVERSAL NOW IN RECOGNITION OF THE IMPACT OF THE "OIL SHOCK" ON THE KOREAN ECONOMY WHOSE CONTINUED DEVELOPMENT WILL

DEPEND HEAVILY ON THE AVAILABILITY OF PUBLIC AND SOFT LOANS AS NOTED IN THE IECOK (CG) COMMUNIQUE.

4. PREDICTABLY, THE YOSU PETROCHEMICAL PROJECT AND EXPANSION OF THE POHANG STEEL PLANT WERE STRESSED BY THE KOREAN SIDE AS ITS HIGHEST PRIORITIES. OKAZAKI SAID THAT IT WOULD TAKE ABOUT SIX MONTHS TO IRON OUT DETAILS ON POHANG BUT HE FELT THAT THE MEETING HAD PRODUCED A GOJ COMMITMENT TO SUPPORT THAT PROJECT. THE TECHICAL DETAILS OF THE YOSU PROJECT, WHICH IS A VERY LARGE AND COMPLEX ONE, REQUIRE FURTHER STUDY, BUT HE DESCRIBED IT AS "A POLITICAL ISSUE NOW" (REF D). OKAZAKI BELIEVED THAT THE KOREANS MAY HAVE COME AWAY FROM THE MEETING WITH A SLIGHTLY MORE OPTIMISTIC VIEW THAN IS WARRANTED. HOWEVER, THE JAPANESE HAD INDICATED THAT THEY WOULD TAKE A "FORWARD LOOKING" ATTITUDE ON YOSU. OKAZAKI OBSERVED THAT THE PROBLEM OF FINDING SUFFICIENT GOVERNMENT FINANCIAL GUARANTEE AUTHORITY, SHOULD THE PROJECT GO AS EXPECTED TO JAPANESE FIRMS, IS FORMIDABLE.

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CIEP-01 LAB-04 SIL-01 OMB-01 /083 W  
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R 270145Z SEPT 75  
FM AMEMBASSY SEOUL  
TO SECSTATE WASHDC 3061  
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5. THE 1975 PORTION OF JAPANESE AID PARTICIPATION UNDER THE THIRD PLAN WHICH HAD BEEN DELAYED BY POLITICAL DEVELOPMENTS REMAINS TO BE SETTLED BY THE END OF THE YEAR. ALTHOUGH THE USUAL NOTE VERBALE CONVEYING THE ROKG REQUEST IS STILL UNDER CONSIDERATION AND SUBJECT TO CHANGE, OKAZAKI HAD RECEIVED A VERY "INFORMAL AND CONFIDENTIAL" LIST OF PROJECTS FOR TENTATIVE CONSIDERA-

TION AS FOLLOWS:

- A. AN "AID/IBRD TYPE" LOAN FOR AGRICULTURAL (IRRIGATION) DEVELOPMENT, MAINLY LOCAL COSTS - \$50 MILLION.
- B. CONTINUATION OF THE TELEPHONE SYSTEM MODERNIZATION PROGRAM - \$45 MILLION.
- C. CONTINUATION OF THE EXPORT INDUSTRY DEVELOPMENT PROGRAM - \$50 MILLION.
- D. DOUBLE-TRACKING OF THE SHINPOK R. R. -  
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\$35 MILLION.

OKAZAKI INDICATED THAT GOK COMMITMENTS IN 1975 WOULD BE LIMITED TO \$80 MILLION, ABOUT THE SAME AMOUNT AS IN 1974. EVEN FOR THAT REDUCED AMOUNT, IT WOULD BE DIFFICULT TO STUDY AND DECIDE ON THE VARIOUS PROJECTS BY THE END OF THE YEAR. HOWEVER, IT IS ALMOST CERTAIN THAT JAPAN WILL NOT BE INTERESTED IN THE AGRICULTURAL PROGRAM BECAUSE IT INVOLVES MOSTLY LOCAL COSTS. HE SUGGESTED THAT THE DOUBLE-TRACKING PROJECT WOULD PRESENT NO PROBLEMS, BUT HAD NO BASIS FROM TOKYO FOR COMMENT ON THE OTHER PROJECTS.

6. SUBSEQUENTLY, LEE SUN KI, ASSISTANT MINISTER FOR ECONOMIC COOPERATION OF EPB, INFORMED EMBOFF OF HIS SATISFACTION WITH POSITIVE ATTITUDES OF JAPANESE TOWARD ECONOMIC COOPERATION WITH ROK, DESPITE POLITICAL AMBIVALENCE WHICH THEY DISPLAYED. HE NOTED THAT FIRST OF SERIES OF WORKING LEVEL MEETINGS TO WORK OUT SHORT-TERM ASSISTANCE AND CONSIDER LONGER TERM MATTERS WILL BEGIN IN SEOUL IN MID-OCTOBER. HE STATED THAT JAPANESE EXPORT-IMPORT BANK HAS AGREED TO PROVIDE \$330 MILLION IN DIRECT AND GUARANTEED CREDITS FOR THE THIRD PHASE EXPANSION OF POHANG STEEL WORKS, OUT OF TOTAL OF \$700 MILLION, HE SAID \$60 MILLION WOULD PROBABLY BE FROM US EXIMBANK, PLUS UNKNOWN AMOUNTS FROM OTHER SUPPLIERS.

7. COMMENT: JUDGING FROM THEIR POST-MEETING REACTIONS, JAPANESE DELEGATES WERE SURPRISED BY FLEXIBILITY OF ROK APPROACH TO COMMUNIQUE AND HANDLING OF JAPANESE MINISTERIAL DELEGATION. ROK BUREAUCRACY HAD REPORTEDLY INITIALLY STONEWALLED ON COMMUNIQUE LANGUAGE. PRESIDENT PAK'S INTERVENTION WAS APPARENTLY DECISIVE IN AVOIDING REPETITION OF PATTERN OF SEMI-PUBLIC HAGGLING BARELY DISGUISED BY PATCHWORK COMMUNIQUE WHICH HAS CHARACTERIZED PREVIOUS ROK-JAPAN MEETINGS. RECENTLY IMPROVED RELATIONS BETWEEN ROK AND JAPAN COULD HAVE SUFFERED A SETBACK HAD CONFRONTATION

APPROACH PREVAILED, WITH CONSEQUENT HARMFUL EFFECTS ON  
PROMISED, BUT NOT YET DELIVERED, JAPANESE ECONOMIC ASSISTANCE.  
HIGHEST ROKG LEVELS, HOWEVER, APPEAR TO HAVE UNDERSTOOD -  
ALBEIT GRUDGINGLY - THAT FUKUDA'S DELICATE RELATIONS WITH  
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FINANCE MINISTER OHIRA AND OHIRA AND JAPANESE BUSINESS  
COMMUNITY'S PRESENT LUKEWARM ATTITUDE TOWARD INCREASED  
ECONOMIC COMMITMENTS TO THE ROK, NECESSITATED A CAUTIOUS  
ROK APPROACH. THEREFORE, IT WAS IMPORTANT TO MAXIMIZING  
ECONOMIC PAYOFF TO THE ROK THAT (A) NO HARD FIGURES  
BE PRESENTED AS PREMATURE TARGETS FOR OPPONENTS; (B)  
THAT FUKUDA AND MIYAZAWA BE MADE TO APPEAR SUCCESSFUL  
AND BE ALLOWED AS MUCH ROOM AS POSSIBLE TO WIELD THEIR  
CONSIDERABLE INFLUENCE IN BUILDING A CONSENSUS AT  
HOME, AND (C) THAT, IN SHARP CONTRAST TO NK FISHING  
BOAT INCIDENT, SEOUL RECIPROcate P.M. MIKI'S STANCE  
ON THE IMPORTANCE OF ROK-JAPAN RELATIONS. IT IS CLEAR  
THAT JAPANESE CONSIDERATIONS DOMINATED THE LANGUAGE  
OF THE COMMUNIQUE, BUT THAT THE KOREANS NONETHELESS  
EXPECT FUKUDA TO DELIVER ON THE COMMITMENTS LEFT  
UNSPOKEN.

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## Message Attributes

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